Newman Lake Flood Control Zone District- Options to Improve Funding Fairness

Overview

In response to concerns about inequities in the funding apparatus of the Newman Lake Flood Control Zone District (District), research was begun by District staff in 2006 to find ways to address funding fairness under the constraints of 86.15 RCW, which governs the administration of Flood Control Zone Districts. This presentation will provide a brief review of the current funding methodology employed by the District, outline the other options available under Washington State law, and provide the recommendations of District staff for addressing funding fairness issues.

Funding Options

Several funding options are available to Flood Control Zone Districts under chapter 86.15 RCW. These include:

1. An annual excess ad valorem property tax levy within the zone or district when authorized by the voters of the zone or district;
2. The current system of benefit assessment methodology,
3. An annual ad valorem property tax levy within the zone or district in an amount not to exceed 50 cents per one thousand dollars of assessed property when the levy will not take dollar rates that other taxing districts may lawfully claim,
4. A service charge or stormwater charge for those benefitting or contributing, and
5. Creation of a local improvement district (LID) or utility local improvement district (ULID).

The following is a basic breakdown of the logistics involved in implementation of each option:

1. **Ad Valorem Tax or Excess Ad Valorem Tax (RCW 86.15.160 (1) or (3))**

   **Description:** This is a flat District-wide tax rate based on the assessed value of a parcel for tax purposes. It is limited to $0.50 per each $1,000 of assessed value, unless excess AV tax is approved by special election.

   **Funding impact:** Total assessed value of properties within the NLFCZD is currently approx. $235,000,000. At the max rate, without excess approval, the ad valorem tax would produce **total revenues of $117,500 (current District budget is approximately $218,000)**. This could be paired with existing system to reduce assessments. **Note:** **upwards of 600 parcels do not contribute to/benefit from lake water quality activities.**

   **Process:** This new tax could be initiated by resolution of the BOCC, who could set rate based on certain percentage of budget as part of budget approval process which includes public hearing. District boundaries would need to be set up with Assessor’s Office by March 1 of year prior to initial implementation. Currently, there is room available under statutory tax limits but that could change in the future as Flood Control
Zone Districts have a low priority among taxing districts. Excess AV tax would require voter approval.

**Time Line:** Soonest implementation for the 2011 tax year.

**Cost:** Total one-time cost: $5,000 or less. Low cost to set up as boundaries already set up in GIS. Simple administration as the AV tax uses current property tax system. Otherwise ongoing administration cost similar to existing.

2. **Redraw Current Flood and Water Quality Base Maps/Maintain Current Benefit Assessment (RCW 86.15.160(2) and chapter 86.09 RCW)**

**Description:** Current method of funding is a benefit assessment based on benefit area location, ratio and property value. There are currently two separate maps: one for Flood Control facility operations and one for Water Quality improvement and facilities. Each of these maps have 5 classes of benefits. (See attached map)

**Funding Impact:** Due to map boundaries being incorrect based upon land use, **about 20 parcels** underpay. If updated, **roughly $8000** will be added in assessments.

**Process to implement:** It requires approval of BOCC and a petition signed by landowners representing 25% of the area of the District to initiate the process. If approved, a three-member board of appraisers would be hired (same process as was required to set benefit areas initially) and tasked with reviewing and updating the map boundaries as well as possibly the definitions and percentages of benefit.

**Time Line:** Total: about 1 year.

**Cost:** $30-35,000 onetime update cost.

3. **Service Charge (RCW 86.15.176) or Stormwater Charge (RCW 86.15.160 (4) and RCW 36.89.080)**

**Description:** Either of these charges could be used to supplement the current system with a contribution charge or replace the existing benefit assessment with both a contribution and benefit charge.

**Funding Impacts:** If contribution basis used for Water Quality Budget, about **121 homes** would be added due to their location in drainage above the lake. For the Flood Control budget another **500+ parcels** downstream of the Lake (drain to outlet channel and sump). Charges would be based upon BOCC and public input. Forest/Timber Land is exempted under RCW 36.89.80 (See attached map-prop coded 88). Contribution charges for County roads could be considered under both options. Also, the State Public Boat launch property charges could be expanded based on impervious surface and use. The contribution charge could also have an incentive program with credits for property owner BMP implementation. The RCW also provides a minimum 10% reduction for commercial buildings with a permissive rainwater harvesting system.

**Process:** The charge system would be set up by BOCC resolution, with input from BOCC, District Staff, District AB and community stakeholders. The Contribution charge could be added with flat rate for residences (avg. sq.ft. impervious), commercial properties (actual sq. ft impervious), county/farm/forest roads (actual sq ft. impervious). Charge could also be based on location above or below the lake. The Benefit charge would be
more complex process, however if based on existing system and with professional input could be done fairly in similar process to updating base maps.

**Time Line:** Earliest Implementation in 2011 tax year.

**Cost:** Total one-time cost of $5,000 - $30,000 to set up depending on type and complexity of rating system used. Annual administration costs would similar to or slightly more than the existing system, especially if a credit system for BMPs is implemented.

4. **Utility Improvement District Assessments** (RCW 86.15.160 (6) and RCW 36.94)

**Description:** This option would provide another benefit only assessment option similar to existing system under chapter 86.09 RCW. To expand charges to contributors another funding option (ad valorem tax or service or stormwater charge would need to be added). The Districts can be formed for no longer than a period of 20 years and the total amount collected as well as individual parcel assessment would need to be specified up front.

**Funding Impact:** Same as Option 3

**Process:** The assessments can be initiated by the Board or by a petition of property owners representing 51% of the property within the Improvement District. Preparation of assessment roll based on benefit would require staff effort similar process to setting benefit service or stormwater charges. Requires public notice and hearing prior to approval by the Board.

**Time:** Earliest Implementation 2011 tax year.

**Costs:** One-time cost of $5,000 - $30,000 to set up depending on type and complexity of rating system used. Administration costs similar to existing system unless separate billing system is needed.

**Staff Recommendation**

While the current system of benefit-based assessment was determined to be the most equitable upon District formation, there are inherent flaws in the ability of such a methodology to swiftly and expediently address changing land use, increased development, and/or watershed contribution to water quality impairment issues. The update of the current boundaries and maps within the current system would be costly and the petition needed to initiate such change is not likely to occur. The same challenges are in place for option 4, the creation of an LID or ULID.

Of the available options, the addition of either a stormwater charge or Ad Valorem tax to the existing benefit assessment methodology would help to more equitably spread costs of funding District activities. A stormwater charge could have the added benefit of addressing non-point source pollution through the implementation of a credit-based system for BMP installation.

Staff recommends that extensive public outreach is conducted to assist District residents and other stakeholders in understanding the current system, outline options for improving fairness,
and solicit input on funding methodologies. Further research is also needed to determine the potential funds generated by stormwater charges under different templates, as well as costs associated with administering such charges within District boundaries and within each individual budget (Water Quality and Flood Control). Public involvement can be solicited in the District Newsletter as well as at the annual Summer Meeting or other such meetings.
Newman Lake
Flood Control Zone District

- 153 Contributing Parcels
  w/ prop_class_code = 88
  $3,769,990 Assessed Value

- 686 Non-Contributing Parcels
  w/ prop_class_code = 88
  $118,286,690 Assessed Value

This product is for informational purposes and as a general planning and management tool. Care was used during compilation of the data and this product to insure accuracy, but it may be located in whole or in part on the quality of the source data and outside sources of information. This product may not have been prepared for, or be suitable for, legal, engineering, or surveying purposes. Spokane County and the Division of Engineering and Roads do not accept responsibility for errors and omissions, and therefore there are no warranties that accompany this material. Users of this Information should consult the primary data and information sources to ascertain any usability of this information. This information may be periodically updated. Users of this information should check with the Spokane County Division of Engineering and Roads to ensure that they have the latest revisions.

Spokane County Engineer's Office
Map Produced - June 7, 2007

Use of this product is limited to the best available form and use contingent on verification by the Assessor's Office.

spokanecounty.org/engineering/gis/AlaskaProject/Alaska_Project_Flood_ConsolidatedBoundary_20070706.png